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SUBJECT: RAILROADS AND REFUGEES: GOI'S TAKE ON DAHAL'S
NEPAL

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Classified By: Deputy PolCouns Les Viguerie for Reasons 1.4 (B,D)

11. (C) SUMMARY: The GOI was favorably impressed by the new Nepalese PM Dahal, according to Joint Secretary Preeti Saran, who reviewed the highlights of Dahal's September 13-18 visit to New Delhi. Saran called him "a statesman with political dexterity" and said that he was reassuringly mindful of India's core security concerns. While Saran expressed confidence that Dahal could certainly win another popular mandate, she was unsure whether the government would be successful in drafting a new constitution. Saran was pragmatic about economic cooperation with Nepal, saying that Nepal has hampered hydro projects, but made clear the GOI's commitment to work with Nepal where feasible. On treaty revision, Saran had a relaxed attitude, indicating that the 1950 Treaty of Peace and Friendship benefits Nepal already, but India had no qualms about considering changes. On the issue of Tibetan refugees in Nepal, Saran indicated that the 110 Tibetans recently arrested for protesting at the Chinese embassy in Kathmandu do not qualify for transit permits to enter India as they have been in Nepal for too long. Pressed on the issue of cooperating with the USG to resettle Tibetans in the U.S., she referred the issue to the Foreign Secretary.
END SUMMARY.

Dahal's Dexterity

12. (C) PolCouns met with Ministry of External Affairs (MEA) Joint Secretary (North) Preeti Saran on September 25 to discuss PM Dahal's recent visit to India. Saran said he appears to have successfully made the transformation from guerilla leader into a statesman. She pointed out that during his visit, Dahal was the first to raise many of India's own concerns over Nepal: political stability, the drafting of a constitution, and economic development in the context of peace and reconstruction. Saran said that Indian officials did not raise Dahal's trip to China during the visit, adding "that it did not matter given India and Nepal's special and unique relationship. Saran agreed that, in light of upcoming Indian elections, Dahal had been skillful in reaching out to a broad spectrum of Indian politicians. She added that this also indicates Nepal shares India's conviction that no matter who is in power, the two countries need to work together.

Peace and Political Stability

13. (C) Saran underlined that Dahal had reassured GOI officials of his desire for political stability and cross border security. "He was mindful of our core security concerns," said Saran. The Home Secretaries of the two countries will meet to take up the issue of cross border security soon, she confirmed.

14. (C) Saran pointed out that India and Nepal have not had good relations since former King Gyanendra dismissed Nepal's elected parliament and assumed power in 2005, and said that India's aid to Nepal since then has been geared toward helping get Nepalese elections up and running. One goal in encouraging the elections was to mainstream Nepal's minorities and get them invested in the political process, hopefully bringing peace to restive areas like the Terai bordering India. Out of that process of integration has emerged a debate over the "federal idea for Nepal." Dahal acknowledged how much India had helped Nepal in the peace process.

15. (C) Dahal was the first to raise the issue of how Nepal will deal with the People's Liberation Army (PLA) with his Indian interlocutors, according to Saran. He acknowledged that there is a huge divide within the PLA between the "ultra left" and "ultra right" and that the two groups' views could not be annulled simply by integrating them into the Nepalese Army. In Dahal's view if there is to be integration, each candidate should qualify exactly as a normal recruit must qualify. He indicated that the Ministry of Defense has been strengthened to deal with those issues.

Drafting a Constitution

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16. (C) Turning to GOI views on Nepal's political future Saran pointed out that the situation in Nepal is less fragile now that there is an elected government, but will be uncertain until a new constitution is drafted. Saran forecast two possible outcomes: the government will either work toward elections and try to show tangible deliverables in order to get reelected, or they will find a way to postpone elections and remain in power. Saran expressed the opinion that Dahal, if he worked at it, would be able to win a clear, solid mandate in Nepal.

Economic Development and Reconstruction

17. (C) Saran reiterated that India and Nepal have a rich, diverse relationship, and called it "unnatural" that the many bilateral arrangements in place between the nations have been dormant for the past 2 years. It appears the new government is ready and willing to reenergize them. Saran cited the secretary-level talks to be held on Sept 29 in Kathmandu at the first meeting of the Joint Committee on Water Resources since it met in 2004. On hydroelectric cooperation, Saran was clear that Nepal has been the impediment to progress. "We move at Nepal's pace" she said, and continued "if Nepal stalls our projects, we won't do them." Saran pointed out that since Nepal opened its hydroelectric projects to international bidding, two Indian companies have begun work on significant projects. As an outcome of Dahal's visit, India agreed to fully fund development of the Naumure hydroelectric project on the Rapti River. The Naumure project will supply energy to Nepal's domestic market only; India will later look to much larger projects like Arun III and Upper Karnali, which could help meet India's energy needs.

18. (C) On road and rail projects, Saran said many of Dahal's infrastructure plans may be too ambitious for Indian investors. Dahal had expressed interest in smaller projects during the visit as well, and had even suggested construction

of an east-west rail link in Nepal. Saran thought that was an "off the top of the head" idea, as such a railway would be difficult to construct in Nepal's terrain, which naturally tends toward North-South routes. Saran confirmed that the GOI will start work on smaller projects, like rebuilding the East-West Highway as promised in the joint statement. India's priority, she said, is to improve the cross-border commitment and to focus on constructing rail links between the countries (NOTE: There is currently one rail link between Janakpur in Nepal and Jainagar in Bihar. END NOTE)

Treaty Revisions

¶9. (C) Saran said that India is quite happy to consider revising the 1950 Treaty of Peace and Friendship (the Treaty), and that the Foreign Secretaries will form high level committees to work on the revisions. Saran pointed out that in 2001 India agreed to work on revising the treaty with the GON, but made little progress because "they lost interest." The treaty revision "has been politicized needlessly," she said; "it doesn't matter to us, it's a simple treaty, and it benefits them." Saran pointed out that Nepal particularly benefits from national treatment under Article 6 of the treaty, allowing Nepalese to live and work in India and even join any of India's federal services, except the Foreign Service, with no special visa or permit. Changing that section of the treaty would cause intractable problems for the thousands of Nepalese living and working in India, and also for the GON, she said, adding that Nepal's economy has been stabilized in recent years by massive remittances from India, and because the Nepalese Rupee is pegged to the Indian Rupee. Dahal made clear that he recognizes the benefits Nepal receives under the treaty, but he needs the optics of treaty revision to placate the Maoists in his government. PolCouns pressed Saran on the issue of revision of Article 5 of the Treaty which addresses Nepal's right to import arms. Saran responded that the special Bilateral Consultative Group on Security Issues will address such issues.

UNMIN Finished?

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¶10. (C) PolCouns asked if U.S. and GOI are on the same page concerning the United Nations Mission to Nepal (UNMIN). Saran had the impression that Nepal does not want the mandate to be renewed after it expires in January. (Note: Dahal told Ambassador Powell on September 9 that he was prepared to extend UNMIN again if not enough progress was made by December on integration and rehabilitation of the PLA. REF B. End Note).

Tibetan Refugees

¶11. (C) PolCouns asked about the status of 110 Tibetans arrested after involvement in anti-Chinese demonstrations in Nepal. Saran said that GOI only issues permits to Tibetans in transit through Nepal to India, and that this group has been in Nepal for some time and does not meet that criterion. Saran referred the issue back to the U.S. Embassy in Katmandu, recommended the U.S. "counsel" the GON on the issue of refugees, and added that China is pressuring Nepal to "be tough on" Tibetan refugees.

¶12. (C) PolCouns praised India's generosity in accepting so many Tibetan refugees, and told Saran that the U.S. would like to help resettle some of them. PolCouns cited the example of Bhutan, where the U.S. plans to take up to 15,000 refugees in the next year. He stated that the U.S. would like to arrange to resettle some Tibetan refugees who have already transited to India, but there has been some difficulty in working with MEA to appropriately define the refugees' status

in India. Saran responded that it would be best to ask the Foreign Secretary about this issue.
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